



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 12/1/2008

**GAIN Report Number:** NI8031

## Nigeria

### Oilseeds and Products

### Soybeans and Products

**2008**

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**Report Highlights:**

Nigeria's domestic production of soybeans is continuing to trend upwards, but still does not meet the rapidly growing demand from the poultry industry and vegetable oil producers. This deficit caused the price of soybean meal to double within eight months, and peak at \$1,100 per ton in August 2008. These high prices have severely impacted poultry operators and soybean meal imports are rising. In addition, the decision of the GON to remove the import ban on crude vegetable oil is encouraging local producers of vegetable oil to look to imports to fill the supply deficit. Market opportunities exist in Nigeria for U.S. exports of soybeans, soybean meal, crude vegetable oil and soy-based food products.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Lagos [NI1]  
[NI]

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**Executive Summary**

The rapid growth in the poultry sector in the past five years (about 30 percent per annum) has boosted demand for soybean meal in Nigeria. However, although domestic production has been rising it has been unable to satisfy local demand. In 2008, the price of soybean meal shot up to a seven-year high, and this and other high input costs retarded the growth in the poultry industry. Soybean meal remains a vital and preferred source of protein in compound feed and importers and feed millers have begun to look more to foreign supplies to meet demand.

In addition, soybean crushers in the country are operating below capacity and are unable to satisfy the growing demand for vegetable oil. There is a domestic supply shortfall of all vegetable oil estimated at about 300,000 tons annually and over the past few years the local price of vegetable oil has been more than double international prices. In September 2008, the Government of Nigeria (GON) removed its import ban on crude vegetable oil. Nigeria offers growing market opportunities for U.S. exporters of soybeans, soybean meal, crude soybean oil and value-added soy products and soy-based ingredients.

Exchange Rate: US\$1 = 118 Naira

## PSD Table

Oilseed, Soybean Nigeria	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Jun 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Planted	430	430	430	440	440	440	440	450	450	(1000 HA)
Area Harvested	430	430	430	440	440	440	440	450	450	(1000 HA)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	440	440	440	450	450	450	450	500	500	(1000 MT)
MY Imports	3	3	3	3	3	3	4	4	4	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	443	443	443	453	453	453	454	504	504	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Crush	218	218	218	228	228	228	228	274	274	(1000 MT)
Food Use Dom. Cons.	200	200	200	200	200	200	200	200	200	(1000 MT)
Feed Waste Dom. Cons.	25	25	25	25	25	25	26	30	30	(1000 MT)
Total Dom. Cons.	443	443	443	453	453	453	454	504	504	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	443	443	443	453	453	453	454	504	504	(1000 MT)
CY Imports	3	3	3	4	0	4	4	0	0	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
TS=TD			0			0			0	

## Production

Nigeria's soybean output is forecast to increase to 500,000 MT in 2008/09, up from 450,000 MT in 2007/08. The increase in output is attributed to favorable weather and attractive grower prices. Compared to the erratic pattern in 2007, rainfall was favorable both in terms of volume and distribution in 2008. Also, acreage increased because of high prices. At the onset of the planting season, the price of soybeans reached a seven-year high.

Despite this steady increase, domestic output continues to lag behind rising demand. Increased production is constrained by low yield levels resulting from high cost of seeds and scarcity of Superphosphate fertilizers. Average yield levels are approximately 1.2 MT/ha. Soybeans are produced on smallholder farms averaging no more than a hectare; as a result it is non-mechanized. In Nigeria, soybean cultivation starts in May/June with land clearing, and harvesting normally commences in late October and runs through November every year. The crop is harvested 3 - 4 months after planting, depending on the time of sowing and seed variety. Benue State is the dominant soybean producing area but several other states are increasing production.

## Consumption

SOYBEAN USE 2007/08	QUANTITY	PERCENTAGE
<b>Crush + full fat soy</b>	228,000	50.33
<b>Industrial Food use</b>	25,000	5.5
<b>Direct Consump.+ seed + Residuals</b>	200,000	44.2
<b>Total</b>	<b>453,000</b>	<b>100</b>

**Crush:** Nigeria's installed annual soybean crushing capacity is estimated at approximately 580,000 MT. An estimated 228,000 tons of soybeans were crushed in MY2007/08, representing only 40 percent of installed processing capacity. Eight large processors account for nearly 60 percent of Nigeria's soybean crushing industry. Industry sources forecast crushing to rise in MY2008/09 on account of increase soybeans production this year. Soybeans are crushed to obtain oil (for industrial and refined for food use) and soybean meal/cake for animal feed. At present, soybean oil represents a major complement to palm oil in the domestic supply picture for edible vegetable oil and major producers have reported a rise in demand for soybean oil as Nigerians are becoming more familiar with the higher quality and health benefits of soybean oil. Although palm and soybean oil are produced in Nigeria, domestic production of vegetable oil has not kept pace with rising demand, and there is an annual shortfall of approximately 300,000 tons. In September 2008 the Government of Nigeria (GON) removed the import ban on crude vegetable oil and this should increase imports as well as increase domestic refining.

Soybean meal is the dominant and preferred protein ingredient in poultry feed rations. While the poultry industry in Nigeria had been rapidly expanding in past years, very high input costs in 2008 resulted in this growth being impeded. Prices of soybean meal surged to a peak of \$1,100 a ton. In ideal situations, poultry producers would prefer soybean meal inclusion rate of 30 percent in compound feed, but the scarcity and high cost of the product forced them to reformulate in favor of low quality substitutes such as peanut cake, cottonseed and palm kernel meal. Because of this shifting, prices for these commodities soared as well, further adding to production costs. In recent weeks, however, the larger new crop of soybeans has begun to hit the market and prices have started to ease.

**Industrial Use:** Leading infant food manufacturers in the country use soybeans because of its high nutritional value. Soybeans are also processed into powder for consumer convenience. Soybean oil is used in the local paint, cosmetics and soap making industries.

Food processors in the country are showing strong interest in value-added soy products because of the nutritional and health benefits and the cost effectiveness as protein substitute and extender. This follows the recent market development activities conducted in Nigeria by the American Soybean Association's World Initiative for Soy in Human Health (WISHH). Several bakeries, beverages and snack food producers have ran satisfactory tests and are now eager to incorporate soy products in their production processes.

**Household:** Direct human consumption of soybeans is significant in Nigeria, especially among rural low-income groups that cannot afford other alternative protein sources such as meat, fish and eggs. Beginning in the early 1990s, the International Institute of Tropical Agriculture (IITA) promoted the use of protein-rich soybeans in everyday foods to curb malnutrition. The IITA estimates the cost of protein, when purchased as soybeans, to be only about 10 - 20% of the cost of protein from meat, eggs, fish or milk. Soybeans are now widely consumed and are readily used in the production of soymilk, soy cake, soy yogurt and the fortification of local carbohydrate-based Nigerian food staples. Dawadawa, a local food

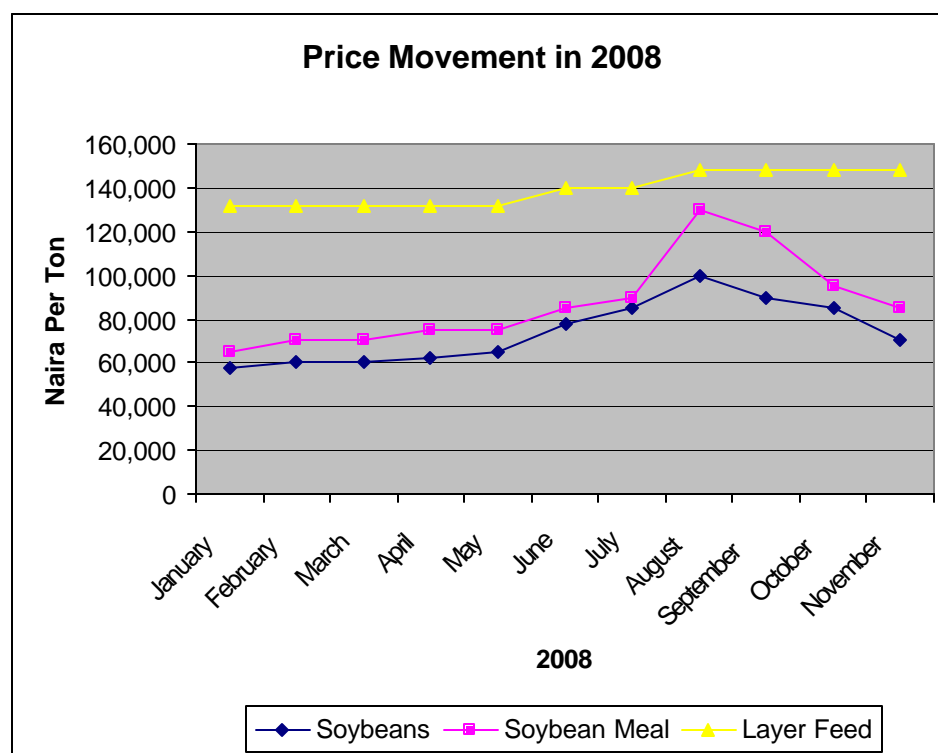
seasoning is also produced from soybeans. Government sources estimate that about 25 percent of Nigeria's domestic production is consumed directly in rural areas as human food. (Note that residuals of disappearances not accounted for in industrial use are included here).

### Prices

Local soybean meal prices soared to a seven-year high in 2008, and reached nearly triple international prices because of the tight domestic supply. The price of soybean meal doubled within eight months to a peak of 130,000 naira per metric ton (about \$1,100) in August 2008, up from just 65,000 naira per metric ton (about \$550) in January 2008 (see chart below). In recent weeks, however, soybean and soybean meal prices have begun to ease as the new crop becomes available.

**Price Table**

Average Monthly Price	Soybeans N/Ton	Soybean Meal/Cake N/Ton	Layer Feed N/Ton
January	58,000	65,000	132,000
February	60,000	70,000	132,000
March	60,000	70,000	132,000
April	62,000	75,000	132,000
May	65,000	75,000	132,000
June	78,000	85,000	140,000
July	85,000	90,000	140,000
August	100,000	130,000	148,000
September	90,000	120,000	148,000
October	85,000	95,000	148,000
November	70,000	85,000	148,000



Sources: Local crushers and Feed Millers

## Trade

Nigeria has been steadily importing soybean meal and occasionally soybeans since 1999, primarily from Argentina and the United States. Based upon Post's survey of the feed industry, it is estimated that Nigerian imports of soybean meal could climb as high as 100,000 MT in 2008/09. The import duty on soybeans and soybean meal for animal feed is 15 percent.

In 2001, the GON implemented an import ban on bulk vegetable oil to support local producers. Branded and consumer-ready vegetable oil was also banned in 2005. As a result, substantial quantities of soybean oil have been smuggled through the borders. In September 2008, the GON removed the import ban on crude vegetable oil and the import duty is now 35 percent. Refined vegetable oil imports remain banned but will likely continue to be smuggled into the country through Benin Republic. Although the majority of crude vegetable oil likely to be imported is expected to be palm oil, soybean oil could also begin to be imported.

## Marketing

Feed millers in Nigeria are familiar with the higher quality of U.S. soybean meal, especially with protein levels exceeding those commonly seen for EU products. Market opportunities of about 100,000 MT of soybean meal exist for U.S. exporters. Additionally, importers and vegetable oil refinery companies are anxious to take advantage of the removal of the import ban on crude vegetable oil to increase capacity utilization and opportunities exist for U.S. exporters of crude soybean oil.

U.S. soybean, soybean meal and crude vegetable oil exporters are encouraged to explore these growing market opportunities in Nigeria. The Office of Agricultural Affairs can be contacted to identify credible Nigerian importers. In addition, exporters can also arrange to meet with leaders of the Nigerian poultry industry at the annual International Poultry Exposition in Atlanta. The Office of Agricultural Affairs is collaborating with the Poultry Association of Nigeria to encourage group purchases of U.S. soybeans and products, utilizing USDA export credit facilities.

Recent market development activities in Nigeria by the American Soybean Association's WISHH program have generated enormous interest in value-added soy products and soy-based food ingredients. Food processors such as bakeries, dairies, beverage manufacturers and snack producers are showing interest in these products largely on account of the nutritional and health benefits and cost effectiveness of protein substitutes and extenders. Best market prospects in this segment, include: soy flour used to fortify other foods (bakeries), textured soy protein used as protein substitute in snacks and soups, soy protein concentrates used as an additive in foods and beverages, and soy protein isolates used as food improver.